



THE FIRST 100 HOURS: 41% Minimum Wage Increase

January 2007

Democrat Proposal: During the week of January 8th, the Democrats are planning to bring a bill to the House floor that would increase the federal minimum wage from \$5.15-per-hour to \$7.25-per-hour over approximately two years—a massive 41% increase. Reportedly, the minimum wage would first increase to \$5.85 sixty days after this bill's enactment, then to \$6.55 one year later, then to \$7.25 one year thereafter. It is unclear whether the bill would contain any additional provisions regarding such items as 1) how tips are counted in states that prohibit tips from counting toward the minimum wage and 2) applying the minimum wage to the Commonwealth of the Northern Mariana Islands, which is currently exempt (as are the other U.S. territories).

Note: If Title V of H.Res. 6 (the Democrat House Rules changes) passes the House on January 5th, it will automatically provide for the consideration of the minimum wage bill next week, as follows:

- Waives all points of order against the consideration of the bill;
- Waives all points of order against the bill itself;
- Considers the previous question as ordered;
- Provides for three total hours of debate (equally divided); and
- Allows one motion to commit.

In other words, this bill will come to the floor under a closed rule and without the applicability of any of the new House rules that the Democrats have implemented.

Recent Legislative Action: In the 109th Congress, the House voted in favor of a similar minimum wage increase (phased in over three years instead of two) as part of H.R. 5970, which passed 230-180-1: <http://clerk.house.gov/cgi-bin/vote.asp?year=2006&rollnumber=425>. Additionally, the House voted 260-159 to instruct conferees on S. 250 (the vocational education bill) to agree to a minimum wage increase: <http://clerk.house.gov/cgi-bin/vote.asp?year=2006&rollnumber=366>.

In July 2006, 30 RSC Members sent the following letter to House leadership, urging them not to bring a minimum wage increase to the House floor:

http://www.house.gov/pence/rsc/doc/CA_073106_feeneyminwage.pdf. In September 2006, 41 House conservatives sent a similar letter to House leadership urging them not to bring

stand-alone legislation to the House floor that would increase the minimum wage:
http://www.house.gov/pence/rsc/doc/CA_092506_minwage.pdf.

Background:

- Establishment. The Fair Labor Standards Act of 1938 established the (federal) hourly minimum wage rate at 25 cents an hour for covered workers. Since then, it has been raised 19 separate times. The minimum wage does not rise automatically; raises require separate legislative action by Congress and the President.
- Recently Raised Twice. Since Republicans won control of Congress in 1994, the federal minimum wage has been raised twice: once in October 1996 (from \$4.25 to \$4.75) and again in September 1997 (from \$4.75 to \$5.15). The minimum wage remains at \$5.15 an hour today.
- Application. The federal minimum wage applies to employees of businesses that do at least \$500,000 in business a year—and to employees of smaller firms if the employees are engaged in interstate commerce or in the production of goods for commerce (such as employees who work in transportation or communications or who regularly use the mails or telephones for interstate communications).
- Exceptions. The federal minimum wage does not apply to all workers. For example, current law exempts full-time students working part-time in certain industries, youth under age 20 in their first 90 consecutive calendar days of employment, and tipped workers in retail and service industries from the federal minimum wage.
- Enforcement. The federal minimum wage is enforced by the Department of Labor's Wage and Hour Division: <http://www.dol.gov/esa/whd/>.
- State Minimum Wages. Some states have a minimum wage requirement that is higher than the federal minimum wage. Where that is the case, *the higher standard prevails*. As of spring 2006, 18 states plus the District of Columbia have minimum wages that are higher than the federal minimum wage, whereas 25 states plus Puerto Rico and Guam have minimum wages at the federal level. The remaining states and territories have either no state minimum wage or a state minimum wage below the federal one. <http://www.dol.gov/esa/minwage/america.htm>
- Starting Wage. The federal minimum wage is overwhelmingly a starting—rather than a permanent living—wage. Research by economists at Miami University of Ohio and Florida State University found that minimum wage employees are over five times more likely to be new entrants to the labor force.
- The Market Has Pushed Wages Upward. Each year fewer workers earn the federal minimum wage. In 1980, according to the Congressional Research Service, over 15% of hourly paid workers earned the federal minimum wage, while in 2005, only 2.5% of hourly paid workers earned the federal minimum wage.

- Most Minimum Wage Earners Don't Stay That Way. According to the Coalition for Job Opportunities, 85% of individuals who would be impacted by a minimum wage hike are teens living with their working parents, adults living alone, or second earners. As these employees gain skills, they receive significant raises, with more than 65% receiving a raise within one year. The median full-time minimum wage employee receives a 14% raise, nearly three times that of all employees.

For more talking points on the federal minimum wage, please see this RSC document: http://www.house.gov/pence/rsc/doc/LA_071706_minimumwage.doc.

Possible Conservative Concerns: Some conservatives might be concerned that the federal minimum wage is anti-capitalist, since it prevents an employer and a potential employee from engaging in free-market labor negotiations. Furthermore, quickly-increased labor costs unrelated to business conditions will encourage or force employers to fire employees, reduce working hours for existing employees, and/or postpone plans to hire additional employees. Small business groups, such as the NFIB and the National Restaurant Association, have repeatedly asserted that a minimum wage increase of this magnitude will yield *hundreds of thousands* of job losses nationwide.

To read a recent op-ed by renown columnist George Will, in which he calls for the minimum wage to be **zero**, visit this webpage: <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/03/AR2007010301619.html>.

Outside Group Opposition: An increase in the federal minimum wage is being opposed by a wide variety of conservative and business organizations, including, but not limited to:

- American Hotel and Lodging Association
- Americans for Prosperity Foundation
- Citizens Against Government Waste
- FreedomWorks
- National Association of Convenience Stores
- National Association of Manufacturers
- National Council of Agricultural Employers
- National Federation of Independent Business
- National Franchise Association
- National Grocers Association
- National Restaurant Association
- National Retail Federation
- Small Business & Entrepreneurship Council
- U.S. Chamber of Commerce

Additionally, the Heritage Foundation released a paper strongly opposing the notion of increasing the minimum wage.

Outside Group Support: An increase in the federal minimum wage is being supported by a wide variety of liberal and labor organizations, including, but not limited to:

- AFL-CIO;
- the Service Employees International Union;
- the American Federation of State, County, and Municipal Employees;
- United Steelworkers;
- the NAACP,
- the Mexican American Legal Defense and Educational Fund; and
- the National Council of Churches.

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